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INTRODUCTION

The Office of Internal Audit performed an audit of Gladwin County FIA for the period October 1, 1998 through February 23, 1999. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Gladwin County FIA had 28 full time equated positions (FTE's) at the time of our review. Gladwin County FIA provided assistance to an average 2,408 recipients per month during FY 1997, with total assistance payments of \$3,354,410 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Gladwin County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS
Cash Disbursements	Cash Receipts
General Ledger	Accounts Receivable
Safe & Controlled Documents	IRS Information Security
Telephone Usage	Procurement Card
Food Stamps	Timekeeping

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Gladwin County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did, however, find a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Gladwin County FIA has reviewed all findings and recommendations included in this report and are in general agreement. They indicated in a memorandum dated March 17, 1999 that they are in general agreement with the report, and that corrective action has been taken for all items in the report.

FINDINGS AND RECOMMENDATIONS - COMPLIANCE

The following are areas where we found that Gladwin County FIA was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

Supporting Documentation for Payments

1. Gladwin County FIA did not always attach supporting documentation to the FIA-849 on file in the Accounting Office, as required by Accounting Manual Item 404. An original invoice or other supporting documentation was not attached for 3 of the 50 payments we reviewed. Attaching invoices to the Accounting Office copy of the FIA-849 helps ensure that all FIA-849 payments are accurate and appropriate.

WE RECOMMEND that Gladwin County FIA attach a copy of the invoice or other supporting documentation to the Accounting Office copy of the FIA-849.

Sign-O-Meter Reconciliation

2. Gladwin County FIA did not reconcile the Sign-O-Meter Record (FIA-4711) with the Check Register, as required by Accounting Manual Item 410.1. This reconciliation is necessary to ensure that no checks go through the check signer that are not accounted for in the accounting records.

WE RECOMMEND that Gladwin County FIA reconcile the Sign-O-Meter Record with the Check Register.

Checks Received for Deposit

3. Gladwin County FIA did not use the Daily Mail Record of Cash Receipts for Deposit (FIA-4729) to record checks received in the mail for deposit, as required by Accounting Manual Item 433. Rather, the local office was using the FIA-61 to record these items. Use of the FIA-4729 helps to ensure that all necessary information is recorded for items received in the mail, and late deposited in the bank.

WE RECOMMEND that Gladwin County FIA use the FIA-4729 to record items received in the mail for deposit in the bank.

Controlled Documents

4. Gladwin County did not properly control blank documents. We noted that the local office had not posted documents received or issued out of stock on the Controlled Document Log (FIA-4070) since November, 1998. Also, the local office was not preparing the Monthly Controlled Document Inventory and Reconciliation (FIA-4351) during that time. Accounting Manual Item 403 requires the preparation of the FIA-4070 and FIA-4351 for all controlled documents. Use of the Controlled Document Log and preparation of the

Monthly Controlled Document Inventory and Reconciliation help to ensure that loss, theft, or misuse of controlled documents would be detected on a timely basis.

WE RECOMMEND that Gladwin County FIA use the Controlled Document Log and prepare the Monthly Controlled Document Inventory and Reconciliation for all controlled documents.

NOTE: The inventory reconciliation and a physical inventory of all controlled documents was completed while the auditors were still on site.

CIS/ASSIST Security Agreements

5. Gladwin County FIA did not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for all employees who access the Client Information System (CIS), as required by L-Letter 97-063. For seven of the 30 agreements we reviewed the status code indicated on the FIA-3974A did not agree with the current status code listed on the Operator Identification Report (PF-011). The ASSIST Security Agreements and Profile (FIA-3720, FIA-3721) were not completed for all but one person who has access to ASSIST according to L-Letter 97-156.

NOTE: All but two ASSIST Security Agreements (FIA-3721) were completed while the auditors were on site.

Medical Transportation

6. Gladwin County FIA did not have completed Medical Needs Authorizations (FIA-54A) on file for 3 of the 17 cases we tested. In all 3 cases the form was on file, but was only partially completed (the reason the transportation was needed, the duration of the illness, and the provider's signature boxes were not completed.) Program Administrative Manual

Item 825 and Accounting Manual Item 416 required that properly completed FIA-54A's be on file to document the need for medical transportation. Proper completion of all required information on the FIA-54A helps to ensure that medical transportation payments are only authorized when there is a documented medical need.

WE RECOMMEND that Gladwin County FIA ensure that complete, up-to-date Medical Needs Authorizations are on file to document the need for all medical transportation payments.

NOTE: One of the Medical Transportation client's case closed and the FIA-54A is no longer needed.

RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

The following are areas where we have identified a control weakness at Gladwin County FIA, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

DCDS Reconciliation

7. Gladwin County FIA did not have an independent person reconcile the Time and Attendance Summary Report (HR-332A) to the Employee Time and Attendance Reports (FIA-4299), as recommended by the Primary Internal Control Criteria for Local/District Office Operations. An independent reconciliation helps to ensure that hours were correctly entered into the Data Collection and Distribution System (DCDS) by the timekeeper.

WE RECOMMEND that Gladwin County FIA have an independent person reconcile the HR-332A report to the FIA-4299's submitted by the employees prior to certification of the HR-332A.

NOTE: The Director or Volunteer Coordinator will perform the reconciliation of the FIA-4299 to the HR-332A report.

MA-010 Reconciliation - Openings and Reopenings

8. Gladwin County FIA did not reconcile a sample of new case openings and reopenings listed on the MA-010 Report to the casefile documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciliation of a sample of openings and reopenings provides assurance that cases were opened only by their assigned workers.

WE RECOMMEND that Gladwin County FIA reconcile a sample of case openings and reopenings on the MA-010 Report to the casefile documentation.

CIS Status Codes

9. The two bookkeepers at Gladwin County FIA had CRS status on CIS. This status would allow them to open a Food Stamp case, and then mail food coupons to the same case. In addition, the receptionist reconciled the MA-010 report and had CRS status. This would allow her to process transactions without an independent review of the transaction

WE RECOMMEND that Gladwin County FIA customize the status of the bookkeepers and the receptionist to delete the transactions that conflict with their other job duties.

NOTE: The bookkeeper's and the receptionist's CIS status codes were being customized to eliminate the ability to open cases and generate payments while the auditors were on site.